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SUBJECT: ASIAN PUBLIC DEBT MANAGERS LAUNCH REGIONAL NETWORK

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1. (SBU) Summary: The second Asian Public Debt Management (APDM) Forum, held in Bangkok April 2-3, brought together government debt management officials from thirteen Asian countries to discuss the challenges of raising and managing fiscal resources in these volatile markets. The Forum participants overwhelmingly agreed to launch an APDM Network, and the Asian Development Bank (ADB) agreed to provide financial and organizational support to the Network for its first three years, along with substantive support promised by the International Monetary Fund (IMF). The launch and institutionalization of this network was the culmination of two years of effort by FINATT/Singapore and U.S. Embassy Bangkok to respond to a request from the Thai Public Debt Management Office. End Summary.

Asian Debt Managers Discuss Fiscal and Debt Challenges, agree to launch Network

2. (SBU) Thailand's Public Debt Management Office (PDMO), in conjunction with the International Monetary Fund, the Asian Development Bank and the World Bank, held the second Asian Public Debt Management (APDM) Forum in Bangkok April 2-3. This event brought together government debt management officials from thirteen Asian countries (Brunei, Cambodia, India, Indonesia, Japan, South Korea, Lao PDR, Pakistan, Singapore, Sri Lanka, Thailand, Turkey and Vietnam) to discuss the challenges of raising and managing fiscal resources in these volatile markets. (Note: See the Forum website for the full agenda and supporting background papers at <http://www.pdmo.mof.go.th/asianregionalpdmforum/index.htm>. End Note).

3. (SBU) During the Forum, public debt managers and International Financial Institution (IFI) debt experts held substantive discussions covering issues such as how to raise fiscal resources in challenging debt markets, how to balance the costs and benefits of foreign currency denominated offshore debt, how to develop robust repo markets and other market infrastructure, and how to properly coordinate debt and monetary policy with the central banks. The non-governmental Asian Securities Industry and Financial Markets Association (ASIFMA) also organized a panel of private sector bond market experts to discuss ongoing market developments and provide feedback on how to improve government bond market infrastructure. The Department of Treasury resident debt management advisor to Indonesia made a presentation on the importance and various modalities of securities lending. At the end of the Forum, the Asian debt managers overwhelmingly endorsed the launch of an annual APDM Forum and efforts to support ongoing communications among the debt managers by institutionalizing the APDM Network.

Marshalling Resources in Response to Thai Debt Manager Request

14. (SBU) Discussions of an APDM Network began in early 2007 with the Department of Treasury's regional APEC consultations on how the USG could aid local currency bond market development in Asia, while avoiding duplication of the ASEAN+3 Asian Bond Market Initiative's extensive activities. During that outreach, the Pongpanu Svetarundra, Director General of Thailand's Ministry of Finance's Public Debt Management Office (PDMO), suggested launching a regional network of his peers to share experiences and successful strategies for government debt management which, by extension, would benefit the development of government bond markets. In response, Finatt/Singapore organized a private sector-sponsored networking event in February 2008 in Singapore which included public debt managers from four Asian countries and was supported by Treasury debt management advisors. In mid 2008, other Treasury experts provided a seminar on cash and debt management to Thai officials which helped crystallize the importance of many debt management issues to the region. Afterwards, the Thai PDMO offered to sponsor a larger networking event for Asian public debt managers in Bangkok.

15. (SBU) For this Forum, Finatt/Singapore and Embassy Econoff coordinated an advisory panel of debt experts for the Thai PDMO to advise on the program. These experts came from the IMF offices in Washington and Singapore as well as two offices of the ADB. The advisory panel provided substantive guidance on the agenda, helped identify and lobby senior level participants, and provided moderators with strong substantive knowledge for the panels. At the end of the Forum, the ADB's Treasury Office offered to use its technical assistance funds to organize annual APDM Forums (in collaboration with a rotating country host) and develop a website to support the APDM Network for the next three years. The ADB will invite (and can financially support, if needed) all of its borrowing members and also will invite non-borrowing ADB members, such as

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Japan and Korea, as resource people, so as to ensure that the Asian countries with more developed debt markets continue to participate in the Network. The ADB said it will continue to work with the IMF to provide substantive expertise for future Forums and other Network events.

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